## J. P. MORGAN SAYS THERE'S NO TRUST TO CONTROL MONEY

Financier. Witness Before Puio Committee, Tells of Big Bank Deals.

(Continued from First Page.)

duced and read the agreement between J. P. Morgan & Co. and the New Haven railway, by which the Morgan House was made fiscal agent for the railway. It was at reed that issues of the road securities should be sold through the banking house; commissions of 1½ per cent should be paid; and in case the market was not readily responsive at times when they were offered, the banking house agreed to advance loans on them at 6 per cent, up to 90 per cent of their face value.

Mr. Morgan admitted that was the strangement, and then Mr. Untermyer wanted to know if Mr. Morgan didn't think it bad for a great corporation thus to give to a single fiscal agent a monopoly of selling its securities and handling its financial arrangements. Arr. Morgan didn't think so; rather, he thought it a good thing, because it kept a strong concern keenly interested in the affairs of the company, ready to assist in making good, and to direct in reorganisation if that should be necessary.

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Trangement is the total amount of your deposits on November 1, 1912" was Untermyer first question.

"I haven't it here sir. I should think tos financier promised to furnish the figures. He said his five poul to furnish a statement of their first which are depositors with you."

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"I haven't it here sir. I should think tos financier promised to furnish the figures. He said his five poul affectors.

"We will give you anything of that kind," said the banker, courteously. The witness said the Philadelphia branch. Presel & Co. benefited similarly. He promised to furnish data from the same said the philadelphia branch.

"Have you the amount of your demyers in London."

"Not to any great extent."

"Not to any great extent."

"You five the committee and head fire said hie first promised to furnish the firm which are deposited.

"Have you the committ

Then Mr. Untermyer tried to get Mr. Morgan to admit that if there were competition in handling securities in such cases, as between various banking interests, it might make a better market. Mr. Morgan decidedly did not think so, and would not be led to admitting anything of the sort.

Sidesteps Admissions.

When it came to voting trusts, Mr, Untermyer was insistent of showing that these concentrate control so closely as to be dangerously. Mr. Morgan sidestepped any admissions, however, Mr. Untermyer assumed the case of a voting trust with power to elect the Mr. Untermyer assumed the case of a voting trust with power to elect the directors of a corporation every year:
"Do you think." he demanded, "that the board you name once a year, and have power to remove at the end of any year, can be expected to be entirely independent of your banking house, just as if its position was independent of you?"

"Yes. I do." replied Mr. Morgan vigorously. "it's my experience that people who have power to name directors are likely to have less influence with them, than people who have no such power of naming them."

Mr. Untermyer seemed to think Mr. Morgan was indulging a bit of humor, but when he pressed for elucidation Mr. Morgan insisted that he meant just that, and meant it literally.

Sale of Railroad Stock

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Sale of Railroad Stock

"Wouldn't it be better for all railroad securities to be openly issued and sold in competition, as is the case with State, municipal and Government securities?" asked Mr. Untermyer.

"No," replied the financier. "There is sure to be competition in the end. The fiscal house assumes a moral responsibility for both the company and the people that invest in it."

Mr. Untermyer tried to get the banker to name a single instance in which the scal house had sectinally lost any money by executing this moral responsibility. Mr. Morgan didn't recell one, but was sure that thee had been such. When he was urged to tell just how much he had to do with the organisation of the Steel Corporation, Mr. Morgan after some spairing, admitted that while he directors, and Mr. Morgan, after some spairing, admitted that while he directors, and Mr. Morgan, after some spairing, admitted that while he directors, and Mr. Morgan, after some spairing, admitted that while he directors, and Mr. Morgan, after some collections with which they were not spairing, admitted that while he directors, and Mr. Morgan, after a few minutes of the questioning, settled more comfortably in his chair, and thrust his hands into his trousers pocket, displaying a capacious waistcoat over which was draped at thick watch chair, with a cameosal at the wore his usual wide-winged collar, baring an expanse of fire a pair of horn-rimmed spectucies. At times, when jive papers to verify statements, he arese with a quick, nervous gesture, and handed to or too the documents from Counsel Untermyer. His attorneys constantly hovered about him, fearful evidently that the first of the more of guardianship than of an advisory character. When hey were busy conditions on the list without his approval. sparring, admitted that while he didn't remember writing a list of them down on a paper," as Mr. Untermyer had suggested, he guessed "none was put on the list without his approval." A laugh went around the room, and Mr. Morgan participated.

mr. Morgan participated.
"Didn't you determine who would go on or stay off the board?" persisted Mr. Untermyer.
"I may have done the latter," admitted Mr. Morgan, and there was another laugh.

Who Fixes Prices

Then Mr. Untermyer wanted to know who fixed the prices at which the various subsidiaries were taken into the steel corporation. Mr. Morgan wouldn't admit that he fixed them, but said he finally "approved them."

"Who belects the depositaries of the Bteel corporation?"

"The linance recognition of the steel corporation?"

"The linance recognition of the steel corporation?"

"I think so."

"I think so."

"The finance committee."

"The finance committee."

"Who decided on J. P. Morgan & Co. as the depositary?"

"O." replied Mr. Morgan, with another infectious laugh. "I guess that was done sort of ex-officio."

"You just saw that it was going to be good busines and took it in, did you?" be good busines and took you?" No, we didn't know whether it was going to be good business, then."
"But it has been?"
"But it has been?"
"On yes: yery good, smilingly admit-

"But it has been?"
"Oh, yes; very good, smilingly admit-ted Mr. Morgan, and a moment after, when something was asked about steel at times selling very low the financier observed that "nobody ever sold any of it on his advice; he always had con-idence in it."

Has Many Lawyers.

Mr. Morgan was accompanied by a strong battery of lawyers, and some of the members of his firm; also by his daughter, Mrs. Satterlee. They sat in a group a short distance from the end

reveal to one institution the secrets and business of another. He didn't succeed in making this point at all clear to Mr. Untermyer, who persisted that if directors did their duty they must know the business of all banks in which they served. Mr. Morgan was positive, however, that competition was not injured, and averred that he would rather have free competition, in this regard, than not.

Morgan went into the committee room ust before 10:30 o'clock, accompanie

just before 10:30 o'clock, accompanied by his son, J. Pierpont Morgan, jr., and his daughter, Mrs. Hatterlee. The finan-cier led the way swinging his cane in a jaunty fashion, and fiddling with his silk hat. He sat in the front row of the witness section between his daughter and De Lancey Nidoil, one of the array of Morgan and Nichol conferred together for a few moments.

Morgan and Nichol conferred together for a few moments.

"Can you give the committee a statement of the total amount of your deposits on November i, 19127" was 'Untermyer's first question.

"I haven't it here sir. I should think ma.coo.coo to \$110,000,000," Morgan replied.

The financier promised to furnish the figures. He said his firm paid interest on deposits.

"Are you a director in some of the

"Practically so. We don't keep those Untermyer then turned to the firm's

accounts here."

Untermyer then turned to the firm's fiscal agency contracts.

"We telegraphed for cupies overnight," said Morgan. "There they are copies—in two sactions, the New York of Central and allied lines. "How many of these agreements have you?"

"That is all except by tacit agreement. We act for the fiteel trust, but there is no written agreement as to it or others. It's all by correspondence or word of mouth."

Untermyer then read the fiscal agency agreements with the New York Central into the record. They recited that the firm was given a security marketing monopoly, offering up to 75 per cent of the issue to the public in a provision for cancelation of the agreement upon thirty days notice.

"There was nothing more than that." explained Morgan.

"I am a member of the railroad finance committee," the witness continued.

On Board Many Years. "You have been a member of the board of directors for a great many

About thirty-five years."

The Morgan contract with the Lake Shore railroad was then read, and also shore railroad was then real, and and that that with the Big Four railroad. The contracts were backed up by letters between the firm and the railroads. The letters produced showed that Morgan's commission was to 1½ per cent of the securities offered to the public. "That commission' was accepted by them all, as I remember," said Morgan.

"I think so."
"You've issued during that time some hundreds of millions of securities?"
"Oh, yes."
"All on a commission basis?"
"Yes, in five years."
"How long have you been agent for the New Haven?"
"Since the date of that copy of the contract. Before that they made most of their arrangements through us."
"Can you recall any not through your firm?"
"Yes, within the last ten years; but I cen't recall exactly."

"Yes, within the last ten years, but to cen't recall exactly."

The New Haven contract was read. It was identical with the New York Central agreement and included the Boston and Maine railroad fiscal policy. "Can you give us other corporations for which you acted?"

"I cannot, sir."

Unable To Tell More. "Can you name sny others than the Etecl company?"
"I cannot, sir," said Morgan laugh-

"I cannot, sir," said Morgan laugh-ingly.
"What is a fiscal agency?"
"It is a contract acknowledged by the board of directors."
Morgan was pressed for a list of other corporations for which he is the fiscal agent,
"We have given you that statement," said the banker hastly. "We included ingly.

"What is a fiscal agency?"

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all those that we considered educatives the fiscal agents for."
"You've been acting for the American Telephone and Telegraph Company?"
"Yes, partly 50."
"You have no agreement in writing with them?"
"No."
"And also the Southern railway?"
"Yes, ever since the reorganization in 1884."

"Yes, ever since the reorganization."

"But your data says you are not acting for that company. I suppose that company is under a voting trust?"

"Yes."

"Yes."

"I don't know."

"You are one of them?"

"Yes, and Mr. Baker and Mr. Lanier, I think."

Morgan admitted his firm reorganise the Northern Pacific railway under ing trust.

I have produced here the report of voting trust on the Northern Paca and the Reading," said the wits. "I would like to have them in rgan's lawyers' laughed at this

sally.
"It's on account of their stewardship."
injected Attorney Lindabury, chuckling.
"This is an argument in favor of this sort of administration?" asked Untersort of administration?" asked Untermyer.

"Yes. I am still acting for these concerns. Their securities are being disposed of through my banks."

"Pressing the witness, Untermyer developed that there might be other corporations for which the Morgan firm was acting with whom they had no actival agreements except as laid down by correspondence.

"Don'tt you think it would be better for the railroads if they were free to soil their securieles in open competition instead of being tied to any banking house?" Untermyer asked.

"I shouldn't think so; no, sir," answered Morgan promptly.

"Don't you feel that in issuing securities of the Southern railroad, for instance, that you are dealing with yours selves?" Untermyer prodded.

Deal With Themselves.

Deal With Themselves.

"I don't think so. We don't deal with ourselves. When you elect the board, they vote independent of the trustees." Morgan said it was better to have his "Because," he explained, "we get the

"And it's on that theory you have no objection to fiscal agreements?"
"Yes," he declared finally,
"You issue hundreds of millions of hecurities a year?"
"Yes,"

securities a year?"
"Yes."
"Don't you think it feasible that they should be sold by open competition. Ike United States and municipal bonds?"
"If do not."
"Don't you think there should be some competition between the banks and original purchasers?" It think not."
"Shouldn't the companies be able to have other banks compete with you in

"Shouldn't the companies be able to bave other banks compete with you in order to get a higher price?"
"It could be done."
"Don't you think it ought to be open?"
"No, I don't."
I'ntermyer framed his question in another form.
"And there's another point that I think of ——began Morgan. Insists On Answer.

"Answer me please," insisted Unter "I don't think so," the financier ans wered meekly.
"Now," said Untermyer, "what were

you going to say?"
"It's gone out of my head now," th "That wouldn't be applied to the New

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"No, there's something in a name in protection of the bonds—in case of re-organization to make them good; the bank assumes the greater moral re-sponsibility." sponsibility."
"When the bonds you have sold de-

fault on interest, the property pays the expense of reorganisation?"
"Yes, sir."
"All this time the banking house isn't losing any money through its error of judgment?"
"It isn't always an error of judgment."

ment."
"The house doesn't suffer any loss?"
"The house doesn't suffer any loss?"
"The house doesn't suffer any loss?"
"But they get their money back?"
"Not always," said Morgan, laughing. Can't Name Instance.

"Name an instance," Untermyer chalenged.
"I don't recall any, but there hav United States Steel has your firm issued

many securities?"
"Not a great many."
"You did issue \$150,000,000

"Yes."

"And in taking over other properties?"

"And in taking over other properties?"

"Possibly. I don't remember."

"At the time of the organization of the United States Steel did you name the entire board of directors?"

"I think I passed on them."

"Didn't you pass out a slip of all the names?"

"Nobody assisted me." said Morgan after a pause. "I'm willing to assume entire responsibility."

"Didn't you say who should go on the board and who should stay off?"

"I probably did the latter," said Morgan, and the committee laughed.

"That's twelve or fourteen years ago, you must remember," he added.

"I will say this," the witness went on testifying, his finger on the chair, "whoever went on went on with my approval."

"Nobody went on until you apploved?"

"Only when I haven't been here," anwered the financier significantly.

"The elections are made by the board," said Morgan.

"But the board is named by you."

"Not now. Nobody is named against my protest."

"Who passes on voting proxies?"

"The committee, of which my son is a member. Mr. Perkins was for a time chairman of that committee. Judge Gary was before him," added the financier.

Continuing, the witness said the steel

cary was before him," added the finan-cier.
Continuing, the witness said the steel company finance committee is in fact the executive committee.
"You named Mr. Gary for chairman?"
"Very likely; I don't remember."
"While on this question of the Steel 'trust"—who fixed the prices?"
"Of companies forming steel corpora-tion?"

"Yes."

"Yes."

"I approved them. Sometimes I couldn't get the price I fixed."

"Who put Mr. Perkins at the head of the finance committee?"

"It did it himself."

"I can't recall all these things," he continued irritably.

"Very likely you can't," Untermyer rejoined sarcastically.

"Who decided J. P. Morgan & Co. should be agents for the securities?"

"I did," said Mr. Morgan amid a general laugh.

Morgan said he said he knew of only a few buying pools or syndicates in the Steel case.

"There have been many syndicates formed without our knowledge of it."

"Do you know of any of your firm?"

"I can't recall any at this moment."

"I don't mean to imply anything," said Unfermyer.

"If I take any exceptions to your questions I'll tell you so," Morgan said frankly.

Untermyer next turned to underwriting of securities.

"You do underwrite large issues?"

"No, we offer them to the public, and the public taker them." Morgan, parried deftly.

"We form an underwriting syndicate and sell the securities for the company."

"Some times you buy them outgat?"

"Fes; then we sell for the syndicate.

right?"
Yes; then we sell for the syndicate or for ourselves."
"You've a list of people you invite into syndicates"
"Yes, but we do not always go by it."

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